

# Memorandum

Date: May 17, 2022

To: Members of Council

From: Mark Sraga, Director, Building and Municipal Law Enforcement Services / Chief Building Official

Subject: Building Permit Fees Annual Financial Report 2021

## **Background**

Section 7(4) of the *Building Code Act (BCA)* requires that a municipality prepare a report about any fee's collected in relation to building permit applications along with costs that the municipality incurs in the administration and enforcement of the BCA and Ontario Building Code.

## **Building Permit Fees**

The Building Permit Fee's report must identify the total amount of building permit fees collected, the direct and indirect cost of delivering services related to the administration and enforcement of the Act, and the balance in the Building Permit Stabilization Reserve. The report must be broken down into at least the following categories:

- **Direct Costs** are the costs required to operate the Building Services Division in the delivery of administration and enforcement of the Building Code Act, including the review of applications for permits, and inspection of buildings.
- **Indirect Costs** are the costs required to support the operations of the Building Services Division. These costs include building permit-related support from other municipal divisions and departments, such as staff support provided to the Division through Information Technology, Human Resources, and Finance. These costs also account for overhead charges to the Division, such as expenses associated with the use of Town facilities, software licensing, and hardware.
- The **Building Permit Stabilization Reserve Fund** is established under the authority of the *Building Code Act* and can only be used for any purpose relating to the administration and/or enforcement of the Building Code Act. The report must include the amount of the dedicated fund at the end of the twelve (12) month period.

The following is a breakdown of the fees collected and operating costs for 2021:

- The Building Services Division collected \$4,086,233 in Building Permit fees during 2021;
- Total direct and indirect expenses for the Division during 2021 were \$3,245,278;
- The operating surplus for the Division, contributed to the Building Permit Stabilization Reserve Fund is \$840,955;

- The balance of the Building Permit Stabilization Reserve Fund as of December 31, 2021 is \$5,324,821 (after the contribution of \$840,955 to offset the operating surplus).

### **Permit Activity**

The number of building permit applications (1791 applications) received by the Building Services Division in 2021 was the most that have ever been submitted to the Town. (See Attached Schedule A). The total construction value for these permit applications equates to \$570,671,330.00 (See attached Schedule B). In conjunction with this significant volume of building permit applications there was also a record number of building permits issued in 2021 - 1847 issued permits (see attached Schedule C) and this volume of issued building permits represented \$683,279,891.00 in construction value.

The building classification types for the issued permits is as follows:

Building Permit Classification Type	% of Permits issued
Residential	90
Industrial	3
Agricultural/Commercial/Institutional/Other	7

The construction value based on building classification types is as follows:

Building Permit Classification Type	% of Construction Value
Residential	65%
Industrial	30%
Agricultural/Commercial/Institutional/Other	5%

### **Permit Processing Performance**

Despite the very large volume of building permit activity that the Town experienced in 2021 the staff in the Building Services Division were able to review and approve 75% of the permit applications received in 2021 without resubmission of additional documentation/information. This is a 15% improvement over the performance in 2020 and can be attributed to changes in processes and procedures undertaken by staff such as marking up drawings with the necessary building code requirements instead of having applicants resubmit revised drawings, utilizing other documentation to supplement insufficient or incorrect details. There has also been an improvement of the permit issuance timeframes in 2021 compared to 2020 performance standards. The amount of improvements can be attributed to several different factors including improved permit submission quality and staff efforts as previously referenced.

In terms of permit processing times, in the average time for a building permit to be reviewed and issued for new buildings is as follows for the different types of permit classifications:

Building Permit Classification Type	Average Number of Weeks to Issuance in 2020*	Average Number of Weeks to Issuance in 2021*
Residential	15	6
Industrial	49	20
Agricultural/Commercial/Institutional/Other	13	8

\*this includes weekends

Staff continue to make process improvements and improved customer service delivery. Building Services Division in collaboration with Information Technology are currently working on having a dedicated web portal developed and operational by the end of 2022. Once this portal is operational it will enable permit applicants the ability to submit all building permit applications and associated documents/drawings including all necessary permit fee's electronically. The intention will be to expand the portal for other types of permits or licenses issued by the Municipal Law Enforcement Division.

## **FINANCIAL IMPLICATIONS**

Building permit fees were established to fully recover the Town's cost of providing building permit services, including an allocation of administrative overhead/indirect costs. Any surplus revenue from building permit fees is transferred to a reserve fund, to be drawn upon in years of declining building activity.

Other than the Town's recovery, from the Building Services Division, for indirect costs such as human resources, finance/accounting, information technology, and facility space, there is no impact to Town's property tax revenues related to building permit activity.

The Building Division ended 2021 with an operating budget surplus of \$840,955 (2021 Revenues of \$4,086,233 – Expenditures of \$3,245,278). The 2021 operating budget surplus was higher than 2020 mainly due to increased building permit activity due to MW2 permits. The 2021 operating budget surplus, in the amount of \$840,955, was transferred to the Building Permit Stabilization Reserve Fund, account #08-00-910-35007-000-25000 in December 2021.

Following this transfer, the Building Permit Stabilization Reserve Fund is \$5,324,821. The council approved reserve budget target of 1 year of operating budget (e.g. sufficient reserves to cover 1 year of budgeted operating costs for the Building Services Division, including the costs associated with performing all duties required to process building permits and conduct all mandatory inspections). The ratio after the transfer from the reserve is 1.64 years using 2021 actuals. The Building Permit Stabilization Reserve was established to allow a municipality to stabilize slow years in terms of building activity and permit revenue. In Staff Report 2022-0086, 2021 Reserves and Reserve Fund Balances recommends changing the minimum targeted balance from 1 year of operating budget to an optimal range of 1-4 years to allow for unanticipated activity and costs.

## **COUNCIL WORK PLAN**

Improved Service Delivery  
Good Governance

## **ATTACHMENTS**

Schedule A: Number of Permit Applications Received 2000 – 2021  
Schedule B: Number of Permits Issued 2000 – 2021  
Schedule C: Construction Value for Building Permit Applications 2000 - 2021